

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2832-01
BILL NO.: HB 1277
SUBJECT: Revenue Dept.; Social Services Dept.; Tax and Revenue-General-Income
TYPE: Original
DATE: January 24, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds*	*(UNKNOWN)	*(UNKNOWN)	*(UNKNOWN)

***The overall fiscal impact of this proposal is expected to exceed (\$100,000) annually.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (COA)** state that according to the state demographer there are approximately 627,000 Missourians below the federal poverty level. COA has not been able to find any empirical basis to estimate the number of taxpayers that would donate personal property to people below the poverty level or the value of the personal property that they would donate. Therefore, the fiscal impact of this proposal is unknown.

Officials of the **Department of Social Services (DOS)** state that it is unknown how many people would participate in this program. Also, it is uncertain if DOS would be asked to determine eligibility only for those individuals who had received such a gift or people would apply to DOS for proof of their eligibility so that they could solicit such donations. If DOS had to determine income eligibility for a new group of people, the cost would be very high. The process of taking applications, verifying income, issuing documentation, and periodically re-determining eligibility is very staff intensive. DOS believes that establishing a whole system of income reporting and verification would duplicate the functions of the Department of Revenue. DOS suggests that a person's income tax return would better serve as income verification. Therefore, DOS believes the fiscal impact would be zero to a negative unknown loss expected to exceed \$100,000 annually.

Office of the **Secretary of State (SOS)** officials state the proposal allows the Department of Social Services and the Department of Revenue to establish regulations which establish procedures for determining if a person's income is below the federal poverty level and authorizing a tax credit for gifts of personal property to such a person and administration of the procedure. SOS states that based on experience with other similar proposals, the rules, regulations, and forms issued by this board could require as many as approximately 32 pages in the *Code of State Regulations*. SOS estimates the cost of a page in the *Missouri Register* is \$22.50. SOS estimates the cost of a page in the *Code of State Regulations* is \$26.50. For any given rule, roughly half again as many pages are published in the *Register* as in the *Code* because cost statements, fiscal notes, and the like are not repeated in the *Code*. SOS has estimated these additional costs. SOS states the actual costs could be more or less than the numbers given. SOS states the fiscal impact in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded, or withdrawn. However, rules based on the federal poverty line can be expected to be amended annually as the federal poverty line changes. These annual amendments could require as many as approximately 16 pages in the *Code of State Regulations* and 24 pages in the *Missouri Register*.

ASSUMPTION (continued)

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In a similar proposal officials of the **Department of Revenue (DOR)** stated this proposal authorizes an income tax credit for gifts of personal property to persons with income below the federal poverty level. The tax credit may not exceed the tax liability and may be carried forward.

ADMINISTRATIVE IMPACT:

DOR states the number of taxpayers eligible for this tax credit is unknown at this time. The Division of Taxation would need one Tax Processing Technician for every 3,680 credits claimed, one temporary tax season employee for every 20,000 individual income tax errors and one temporary tax season employee for every 12,000 corporate income tax errors generated from this proposal.

The proposal would require modifications to the income tax system. The Division of Taxation and Collections estimates the modifications, including programming changes, would require 692 hours of overtime at a cost of \$20,808. Modifications to the income tax return and schedules would be completed with existing resources. State Data Center charges would increase due to the additional storage and fields to be captured. Funding in the amount of \$4,503 would be requested.

Oversight assumes, for purposes of this fiscal note, that the negative unknown impact of this proposal would be expected to exceed \$100,000 annually.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

Loss to General Revenue Fund

Tax credit for donations of personal property	(Unknown)	(Unknown)	(Unknown)
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<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
<u>Cost - Department of Revenue</u>			
Reprogramming costs	\$0	(\$25,311)	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>

***The overall fiscal impact of this proposal is expected to exceed (\$100,000) annually.**

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent that they would donate personal property to eligible individuals and claim the tax credit.

DESCRIPTION

This bill authorizes a state income tax credit for taxpayers who make gifts of personal property to persons whose income is below the federal poverty level. The tax credit for each gift by a taxpayer is limited to \$10,000 per occurrence and is limited to a maximum of \$50,000 per tax year. The credit is not refundable but excesses may be carried over to the next 4 succeeding tax years.

The Department of Social Services will provide a method for identifying persons whose incomes are below federal poverty level and verifying the credit amount.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

RB:LR:OD:005 (9-94)

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Department of Social Services
Secretary of State
Office of Administration

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
January 24, 2000